

Message Text

CONFIDENTIAL

PAGE 01 MANAGU 01886 01 OF 02 161742Z

47

ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-02

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 AID-05

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FM AMEMBASSY MANAGUA

TO SECSTATE WASHDC 6984

C O N F I D E N T I A L SECTION 1 OF 2 MANAGUA 1886

E. O. 11652: GDS

TAGS: PGOV, PINT, NU

SUBJECT: INVIERNO LAW PASSED AFTER CONGRESSIONAL REVIEW

SUMMARY: APRIL 23 NICARAGUAN CONGRESS UNANIMOUSLY PASSED LEGISLATION WHICH GON CHARACTERIZES AS "REVOLUTIONARLY" CREATING THE NAIONAL CAMPESINO DEVELOPMENT INSTITUTE (INVIERNO). IN VIEW OF POLITICAL SENSITIVITY OF THIS SWEEPING PROGRAM WHICH IS DESIGNED TO ALTER RURAL SOCIETY DRASTICALLY BY UPGRADING THE LOT OF THE PEASANTRY, PRESIDENT SOMOZA ALLOWED LEGISLATORS FULL DEBATE ON MEASURE. HE ALSO ACCEPTED REFORMS PUT FORTH BY MEMBERS OF HIS OWN LIBERAL PARTY WHICH TONED DOWN BUT DID NOT SUBSTANTIALY AFFECT INVIERNO'S MANDATE AS PROJECTED IN ORIGINAL BILL. ALTHOUGH LAW WAS LEFT BASICALLY INTACT, CONGRESSIONAL REFORMS WERE DIRECTED TOWARD LIMITING INITIATIVES OF INSTITUTE AND COORDINATING ITS ACTIVITIES BETTER WITH THOSE OF GOVERNMENT AGENCIES ALREADY INVOLVED IN RURAL SECTOR. CONGRESSMEN ALSO REDUCED THE PROPOSED POWERS OF THE HEAD OF INVIERNO. THE GOVERNMENT IS PLEASED BY THE LEGISLATIVE MANDATE AND SUPPORT FOR OBJECTIVES OF PROGRAM WAS REFLECTED IN UNANIMOUS CONSERVATIVE PARTY VOTE IN ITS FAVOR DESPITE CONSIDERABLE SKEPTICISM ABOUT ITS EFFICACY. END SUMMARY.

1. AFTER OVER A MONTH'S CONSIDERATION, THE NATIONAL CONGRESS FINALLY APPROVED UNANIMOUSLY A LAW CREATING THE NATIONAL CAMPESINO

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PAGE 02 MANAGU 01886 01 OF 02 161742Z

DEVELOPMENT INSTITUTE (INVIERNO) ON APRIL 23. IN A SPEECH MADE

APRIL 6 IN MATAGALPA, ONE OF THE DEPARTMENTS EXPECTED TO BENEFIT MOST FROM INVIERNO, PRESIDENT SOMOZA CALLED THIS "THE MOST REVOLUTIONARY LEGISLATION TO ASSIST THE SMALL CAMPESINO." UNDOUBTEDLY IT IS THE MOST COMPREHENSIVE AND AMBITIOUS PROGRAM DEALING WITH THE RURAL POOR.

2. PRODUCT OF A DETAILED GON STUDY OF THE RURAL SECTOR WHICH PROJECTED A PROGRESSIVELY DETERIORATING SOCIAL AND ECONOMIC SITUATION DESCRIBED AS "EXPLOSIVE," THE INVIERNO LEGISLATIVE PACKAGE IS A MANY-FACETED APPROACH TO THE PROBLEM OF THE RURAL POOR. INVIERNO'S PRIMARY FUNCTION WILL BE TO EXTEND CREDIT THROUGH A VARIETY OF MEANS TO THE CAMPESINOS TO FINANCE AND INCREASE THEIR PRODUCTION, TO IMPROVE THEIR WORK AND LIVING CONDITIONS AND TO ACQUIRE THEIR OWN LAND. IT WILL PROMOTE RURAL COOPERATIVES, OTHER COMMUNITY ORGANIZATIONS AND COTTAGE INDUSTRIES, PROVIDE TECHNICAL ASSISTANCE AND IMPROVE CAMPESINO MARKETING PROCEDURES. CONGRESS' INITIAL APPROPRIATION TO INVIERNO WAS \$14.3 MILLION (100 MILLION CORDOBAS); SOME \$3 MILLION (20 MILLION CORDOBAS) OF WHICH IS AUTHORIZED FOR 1975. IN ADDITION USAID IS CURRENTLY PREPARING A LOAN PAPER FOR US\$14 MILLION IN RURAL SECTOR ASSISTANCE OF WHICH THE MAJOR PORTION WILL BE CHanneLED INTO INVIERNO PROGRAMS.

3. PRESENTED TO CONGRESS BY MINISTER OF AGRICULTURE KLAUS SENGLEMANN ON MARCH 19 AND FINALLY PASSED APRIL 23, THE INVIERNO LEGISLATION EMERGED BASICALLY INTACT BUT WAS SUBJECTED TO THE MOST THOROUGH LEGISLATIVE REVIEW SEEN FOR SOME TIME IN NICARAGUA. ALTHOUGH IN THE RECENT PAST THE LIBERAL MAJORITY HAS DROWNED OUT CONSERVATIVE CRITICISMS AND RUBBER-STAMPED GOVERNMENT LEGISLATION, IN THIS INSTANCE, IT WAS THE LIBERALS THEMSELVES WHO PROPOSED MOST OF THE REFORMS IN DETAILED REVIEW BY COMMITTEES IN BOTH THE CHAMBER OF DEPUTIES AND THE SENATE. THE MAJORITY OF CHANGERS WERE MADE BY THE DEPUTIES UNDER THE CLOSE SUPERVISION OF CHAMBER PRESIDENT CORNELIO HUECK, BUT SOME MILD CHANGES WERE ALSO ADDED IN THE SENATE.

4. ALTHOUGH AN IMPORTANT GON INITIATIVE, MANY LIBERAL PARTY POLITICIANS REGARDED INVIERNO WITH SOME DISTRUST. A GOVERNMENT PROGRAM DIRECTED TOWARD CHANGING THE LAND TENURE STATUS-QUO AND GIVING THE CAMPESINOS AN INSTITUTIONAL ORGANIZATION NATURALLY EXCITED CON-

CONFIDENTIAL

PAGE 03 MANAGU 01886 01 OF 02 161742Z

SIDERABLE SPECULATION AMONG POLITICIANS WITH RURAL POWER AND ECONOMIC BASES. TO AMELIORATE THIS UNEASINESS AMONG HIS OWN FOLLOWERS, SOMOZA, WITHIN LIMITS, TURNED THE CONGRESS LOOSE ON THE INVIERNO PACKAGE, AND PERMITTED IT TO BE SUBJECTED TO AN ALMOST UNPRECEDENTED PUBLIC DEBATE.

5. REFLECTING THE TRADITIONAL POLITICO VS. TECHNOCRAT TENSION IN LIBERAL PARTY RANKS, THE CONSISTENT EFFORT OF THE LIBERAL PARLIAMEN-

TARIANS' ATTEMPTS AT REFORM WAS TO DIMINISH INVIERNO'S POWERS AND INsofar AS POSSIBLE TO COORDINATE ITS ACTIVITIES WITH THOSE OF ALREADY EXISTING ORGANIZATIONS SUCH AS THE AGRARIAN INSTITUTE (IAN), THE HOUSING INSTITUE (INVI) AND THE COMMODITY CONTROL INSTITUTE (INCEL). THE POLITICIANS KNOW THE OPERATIONS OF THESE AGENCIES, HAVE LONG-ESTABLISHED CONTACTS WITH THEIR FUNCTIONARIES AND WERE NATURALLY RELUCTANT TO SEE THESE FAMILIAR CHANNELS SUPERSEDED BY AN UNKNOWN QUALITY LIKE INVIERNO.

6. INDICATIVE OF THE CONGRESSMEN'S CONCERNS ABOUT INVIERNO, WHICH WAS FEARED AS A NEW "SUPERMINISTRY", WERE THEIR REFORMS WHICH REDUCE THE POWER OF THE INSTITUTE'S HEAD. DIVESTED OF THE PRESTIGIOUS TITLE "EXECUTIVEPRESIDENT" HE WAS DEMOTED TO THE MORE ACCEPTABLE TITLE OF "GENERAL MANAGER." IN ADDITION, HE WAS RELEGATED FROM THE SECOND TO THE LAST POSITION ON THE BOARD OF DIRECTORS, DENIED THE AUTHORITY TO CONVOKE A MEETING OF THE BOARD OF DIRECTORS, HAD HIS RIGHT TO ACT AS THE INSTITUTE'S PRIMARY REPRESENTATIVE IN DEALING WITH THE EXECUTIVE GIVEN TO THE MINISTER OF AGRICULTURE AND HE WAS MADE APPOINTIVE AT THE PRESIDENT'S PLEASURE WITHOUT CONSULTATION WITH THE COUNCIL OF MINISTERS AS IN THE CASE FOR OTHER APPOINTED MEMBERS OF THE BOARD OF DIRECTORS.GIVEN CONSIDERABLE INDEPENDENCE UNDER THE ORIGINAL LEGISLATION, CONGRESS LIMITED THE PREROGATIVES OF THE HEAD OF INVIERNO AND PUT HIM UNDER THE CLOSE SUPERVISION OF THE MINISTER OF AGRICULTURE AND THE BOARD OF DIRECTORS.

CONFIDENTIAL

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PAGE 01 MANAGU 01886 02 OF 02 161718Z

47

ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-02

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TO SECSTATE WASHDC 6985

C O N F I D E N T I A L SECTION 2 OF 2 MANAGUA 1886

7. WHILE WINNOWING AWAY THE POWERS OF THE HEAD OF INVIERNO, THE CONGRESSMEN MADE CLEAR THEIR HIGH REGARD FOR MINISTER OF AGRICULTURE KLAUS SENGLEMANN AND HE CLEARLY CAME OUT AS THE PRE-DOMINANT FIGURE FOR RUNNING THE INSTITUTE. CONSIDERING THAT IT HAS ALREADY BEEN ANNOUNCED THAT LACKLUSTRE FORMER AGRICULTURE MINISTER NOEL OMARRIBA WILL BE INVIERNO'S FIRST CHIEF, MOST AGREE THAT IT IS PROBABLY BEST FOR THE PROGRAM THAT THE HIGHLY RESPECTED SENGLEMANN WILL GUIDE ITS IMPLEMENTATION IN THE INITIAL STAGES, AND HE IS EXPECTED TO EFFECTIVELY EXERCISE INVIERNO INITIATIVES ORIGINALLY ASSIGNED TO THE GENERAL MANAGER. USAID OFFICIALS CLOSE TO THE GENESIS AND DEVELOPMENT OF INVIERNO CONSIDER THAT (1) THE LEGISLATION THAT EMERGED FROM THE CONGRESS IS ENTIRELY SATISFACTORY FROM A PROFESSIONAL AND TECHNICAL VIEW-POINT; (2) THE STRENGTHENING ON THE ROLE OF MINISTER IS PARTICULARLY USEFUL; (3) THE THOROUGHNESS OF THE DEBATE HAS MADE INVIERNO BETTER AND MORE WIDELY KNOWN AND UNDERSTOOD THAN MOST EXECUTIVE BRANCH INITIATIVES ACHIEVE, AND (4) THE DEBATE WAS ALSO WELL AND CONSTRUCTIVELY COVERED IN THE PRESS, PARTICULARLY LA PRENSA, HELPS INVIERNO OFF TO AN UNUSUALLY GOOD START IN TERMS OF PUBLIC UNDERSTANDING.

8. COMMENT: AS THE FIRST MAJOR INNOVATION OF THE NEW SOMOZA ADMINISTRATION, GOVERNMENT LEADERS ARE UNDERSTANDABLY CONFIDENTIAL

CONFIDENTIAL

PAGE 02 MANAGU 01886 02 OF 02 161718Z

ENTHUSIASM ABOUT THE INVIERNO PLAN. THE PERSONAL IDENTIFICATION WITH THE PROGRAM'S FORMULATION BY SOME OF THE REGIME'S MOST PRESTIGIOUS MEMBERS (INCLUDING SOMOZA HIMSELF, SENGELMANN, PRESIDENTIAL SECRETARY DUBAON, AND CENTRAL BANK HEAD INCER) HAS ALSO STIMULATED OPTIMISM ABOUT THE POSSIBILITIES OF SUCCESS OF THE PROGRAM. MINAG SENGELMANN TOLD ECONOFF THAT THE LAW, DESPITE THE AMENDMENTS, WAS QUITE WORKABLE. HE ADDED THAT IF THE GON PERCEIVED ANY PROBLEMS, IT WAS NOT IN INVIERNO'S CHARTER, BUT IN MOBILIZING THE SUFFICIENT ADMINISTRATIVE AND TECHNICAL EXPERTISE TO IMPLEMENT THE AMBITIOUS SCHEME.

9. ELSEWHERE THERE IS A HEALTHY AMOUNT OF SKEPTICISM ABOUT THE PROGRAM. SOME OF THE OPPOSITION HARBOR SUSPICIONS ABOUT ITS OBJECTIVES, PROFESSING TO REGARD IT AT LEAST AS THE CUTTING EDGE OF A SCHEME TO COERCE THE CAMPESINOS INTO MORE FAVORABLE POLITICAL POSITIONS AND AT MOST A THINLY-VEILED COUNTER-INSURGENCY VEHICLE. HOWEVER, MOST OF THE OPPOSITION VIEW INVIERNO AS A WELL-MEANING CONCEPT ESTABLISHED TO ASSIST A HERETOFORE NEGLECTED ELEMENT IN SOCIETY. BUT, THEY (AND SOME LIBERALS TOO) FEAR THAT IN VIEW OF THE PAST PERFORMANCE OF SIMILARLY HIGH-MINDED PROJECTS, INVIERNO MAY STUMBLE BECAUSE OF INEFFICIENCY, CORRUPTION OR BOTH. HOWEVER, AS THE UNANIMOUS CONSERVATIVE VOTE IN THE

CONGRESS DEMONSTRATED, EVEN THE PESSIMISTS BELIEVE THAT FOR ALL ITS POTENTIAL PITFALLS, THE PLIGHT OF THE CAMPESINOS WARRANTS THE KIND OF VIGOROUS ACTION ENVISAGED BY THIS PLAN.

10. USAID OFFICIALS, WHEN QUERIED CONCERNING THE "SKEPTICS" SUSPICIONS OUTLINED IN ABOVE PARAGRAPH, COMMENTED AS FOLLOWS:
(A) INVIERNO'S GENESIS WAS IN THE AGRICULTURE SECTOR ASSESSMENT STARTED IN APRIL 1972, WITH AID HELP. IT IS THE NATURAL OUTGROWTH OF AN ACCURATE ANALYSIS OF WHAT IS WRONG WITH NICARAGUAN AGRICULTURE AND WHAT SHOULD BE DONE ABOUT IT. INVIERNO'S DESIGN WAS COMPLETED IN AUGUST 1974 AND PROMULGATED AS PART OF THE NATIONAL PLAN FOR AGRICULTURAL MODERNIZATION AND DEVELOPMENT AT THAT TIME. SOMOZA CAMPAIGNED WITH INVIERNO AS ONE OF HIS PLANKS INDICATING THAT THE SUBMITTAL OF LEGISLATION FOR CAMPESINO DEVELOPMENT WOULD BE ONE OF HIS FIRST ACTS AFTER INAUGURATION. THAT THE MORE RECENT GROWING AWARENESS OF UNREST IN THE MONTANA HAS HAD ITS EFFECT ON INVIERNO'S
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 MANAGU 01886 02 OF 02 161718Z

PERCEPTION CANNOT BE DOUBTED. IT PROBABLY HASTENED THE PASSAGE OF THE LEGISLATION WHICH CERTAINLY WOULD NOT HAVE PASSED UNANIMOUSLY BUT FOR THE REALIZATION THAT REMEDIES ACADEMICALLY INDICATED FOR SOME TIME HAD BECOME MORE THAN ACADEMIC. THE CONCERN FOR GROWING UNREST STRENGTHENED THE WILL OF THE ADMINISTRATION TO PROCEED AND APPARENTLY INSURED UNANIMOUS PASSAGE IN THE END.

(B) INEFFICIENCY AND CORRUPTION NEED TO BE OF CONCERN ANYWHERE IN THE HEMISPHERE, INCLUDING THE U.S., AND NICARAGUA IS NO EXCEPTION. USAID HAS LEARNED, HOWEVER, THAT LIKE "ABSORPTIVE CAPACITY" WHICH IS AKIN, VIGOROUS AND COMPREHENSIVE MONITORING GREATLY ENHANCE THE LOCAL INSTITUTION'S EFFICIENCY AND FIDELITY. IT HAS ALSO BEEN LEARNED THAT PROVIDING THE TECHNICAL ASSISTANCE NECESSARY TO UTILIZE THE CAEPITAL AID WILL HAS A HIGHLY SALUTARY EFFECT ON THE QUALITY OF WORK, ON ADMINISTRATIVE CAPABILITY AND ON ETHICS. IN THE CASE OF INVIERNO THE PROPOSED LOAN INCLUDES \$1.5 MILLION FOR DIRECT TECHNICAL ASSISTANCE SUPPLEMENTED BY \$250,000 GRANT FUNDS FOR SPECIALIZED TECHNICAL AID. THIS ASSISTANCE GUIDED BY FOUR USAID STAFF

MONITORS,
COMBINED WITH THE GUIDANCE OF THE HIGHLY RESPECTED CENTRAL BANK SHOULD OVERCOME THE EVER PRESENT MISFEASANCE DANGER. IN ADDITION, INVIERNO SALARIES ARE EXPECTED TO BE SET AT LEVELS SIMILAR TO THOSE OF THE CENTRAL BANK--INSURING INVIERNO THE ABILITY TO RECRUIT AND KEEP THE BEST WHICH ALSO CORRELATES HIGHLY WITH EFFICIENCY AND ETHICS.
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